



Committee On Finance

Max Baucus, Ranking Member

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Baucus Concerned About GAO Findings on Medicaid Waivers

(WASHINGTON, DC) Last Friday, the Government Accountability Office (GAO) released a report, *HHS Approvals of Pharmacy Plus Demonstrations Continue to Raise Cost and Oversight Concerns*, GAO 04-480. This report is the third GAO report in the last three years to find serious problems with Centers for Medicare and Medicaid Services' (CMS) waiver activities.

The report found that, despite a longstanding policy that Medicaid demonstrations do not increase federal costs, four Pharmacy Plus Medicaid demonstrations will increase federal spending by \$1.5 billion over five years. GAO also found that the CMS required states to cap Medicaid spending for all services provided to seniors as a condition of approval. These caps impose financial risks on the state for unanticipated changes in the cost of services and enrollment growth. Senator Baucus commented on the GAO report:

"Once again, the GAO has identified serious problems in CMS' Medicaid waiver activities. This time, the GAO found that four waivers that were supposed to be 'budget neutral' will actually cost the federal government 1.5 billion additional dollars. At the same time that CMS was writing huge checks to a few states for these waiver programs, CMS auditors were scrutinizing payments to public hospitals and nursing homes in other states to root out any possible federal overpayments. The inconsistency in CMS' fiscal policies concerns me greatly.

The report also shows that CMS extracted a heavy price for the extra federal money, requiring states with Pharmacy Plus programs to accept a federal spending limit for their entire Medicaid program for seniors. In short, CMS offered these states up-front cash if the states would take on long-term financial risk to their Medicaid programs. With state Medicaid budgets stretched thin, this bargain puts vulnerable populations -- children, pregnant women, elderly and disabled individuals -- at risk for future program cuts.

Although Pharmacy Plus programs have improved access to prescription drugs in these states, the inconsistencies in CMS' treatment of states and the implications of block-granting a portion of the Medicaid program are troubling. Pharmacy Plus waivers will be phased out when the Medicare drug benefit comes online in 2006, before the block grants can do substantial harm.

But I remain concerned that CMS will continue to use its waiver authority to promote unsound Medicaid policy, despite repeated cautions from the GAO.”

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